Powers, Frederick Perry

Japan and silver

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Each number contains a **special discussion** of some Sound Currency question.

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In 1872 a family consisting of five members, of the lower middle class, could subsist on 70 yen a year; in 1893 the cost of living had risen to 180 yen a year.

During a period of 22 years the silver yen declined very nearly one-half in its gold value, about two-fifths in its power to buy merchandise, and about one-fourth in its power to buy labor.

The gold value of the exports from the United States and England to Japan was over $18,000,000 in 1892 and nearly $31,000,000 in 1896, while the imports of the two from Japan were over $29,000,000 in the first year and less than $31,000,000 in the last year.— F. P. P.

JAPAN AND SILVER.

FRED PERRY POWERS.

JAPAN AND SILVER.

Tom Corwin, of Ohio, was accustomed to say that there was only one occasion when he was at a loss for an effective and appropriate reply. He was trying to impress on a very destitute fugitive slave the superiority of the conditions he had left behind him on the southern side of the Ohio river, when the negro said to him : " Governor Corwin, the situation I have vacated, with all its advantages you so eloquently enumerate, is open to you."

The advocates of silver coinage have not wearied in telling of the great advantages the silver-using countries enjoyed. The depreciation of their monetary unit was described as the most fortunate thing in the world for them. The silver coin would buy just as much merchandise and labor in those countries as ever, but it would buy much less of imports from gold-using countries, so that the depreciation of their money blessed the silver-using countries like a protective tariff. But as gold coins bought more of silver coins than before, and the silver coins bought as much merchandise as ever, the fall of silver led gold-standard countries to buy increased quantities of goods from silver-using countries.

In spite of all these advantages, which excite the envy of English and American silver men, one silver country after another has fled from its alleged blessings, thrown aside its advantages over Germany and England and America, and crossed the coinage river into the region of the single gold standard, and the last to propose this is Japan, which, we have been told, with the great advantage of a depreciated money was going to undersell all the manufacturers of Europe and America, and establish her own unapproached prosperity on their ruins. Papers in England and America with a leaning toward silverism, speeches in the House of Commons and the House of Representatives, and some recently-issued documents of our Senate have teemed with warnings of the havoc Japan was going to work in the industries of the Western world, because the decline of silver made her production so cheap.

THE GOVERNMENT FAVORS THE GOLD STANDARD.

And yet Japan may adopt the gold standard. A dispatch of March 1 from Yokohama said : " The Government has decided to adopt the gold standard at a ratio with silver of $32\frac{1}{3}$ to 1. The smallest gold piece will be of the value of five yen. The new standard will come into operation in October."

A later dispatch explains that the resolution of the Government has yet to be considered and acted on by the Parliament. The Ministry has prepared a bill to establish the gold standard, proposing that the unit of value shall be equivalent to the present silver yen, or to one-half of the gold yen, existing gold pieces to be circulated at double their face value, the 5-yen piece being good for ten yen, and so on, the silver piece of one yen to be retired ultimately, and the free coinage of silver to cease from October 1, 1897.

This points to the natural method employed by this country in 1834, by Chile a couple of years ago, and already announced by Russia. In 1834 the gold dollar was more valuable than the silver dollar, and therefore would not circulate. It was reduced to, or below, the value of the silver dollar, by diminishing its weight. This did not affect business at all, because prices were expressed in silver dollars, and the gold dollar, whose value was reduced, was not current. Chile, which had had for a long time silver and paper currencies very much depreciated got back to the gold standard by a new gold coinage corresponding

in value to the existing depreciated currency. For example, under the Law of 1851, the condor of 13.72 grammes fine gold was the equivalent of ten pesos, the dollar of five pesos, and the escudo of two pesos. But the pesos having depreciated, a new gold coinage was ordered two years ago to correspond ; the condor of 10.98 grammes fine gold is the equivalent of twenty pesos, the dollar is the equivalent of 10, and the escudo of five pesos. Russia has announced that it will coin gold pieces equivalent to multiples of the rouble based upon the present value of the rouble.

Japanese gold coin being either out of circulation or circulated at its silver value, a change in the weight of gold yen pieces would not affect prices at all. The present legal ratio is about 16 1-6 to 1. But the silver yen has fallen to half the value of the gold yen ; in other words, the market ratio is about $32\frac{1}{3}$ to 1, and that is the ratio the Government proposes.

The following information regarding Japanese coinage is obtained from the United States Mint reports for 1895 and 1896, and was obtained by the Director of the Mint in part from Japanese and in part from English documents.

EXPERIMENT IN BIMETALLISM.

When the Japanese mint was established in 1871 the gold standard was adopted, but a silver yen of 416 grains was struck for use in the Treaty ports, where the Mexican dollar and a mutilated silver dollar called the " chop " dollar were in common circulation. The ratio between the gold yen and this silver yen designed to compete with foreign silver was 1 to 16.1738. A year later the coinage of this yen was discontinued, apparently because it did not dislodge the Mexican silver dollar, so long the monetary unit of trade between Europe and Asia. This was analogous to our discontinuance of the silver dollar in 1873 because it was worth more than the gold dollar, and therefore would not circulate with it. At a ratio of 1 to 15.988 our silver dollar was worth more than our gold dollar, and at 1 to 16.1738 the silver yen was still more valuable in proportion to the gold yen. But it was not the plan of the Japanese Government to have them circulate concurrently ; the silver yen was for the Treaty ports.

As it did not dislodge the Mexican dollar, the Japanese in 1875 coined a trade dollar of 420 grains, .900 fine, the precise duplicate of the trade dollar we began making in 1873 with the same purpose of driving out the Mexican dollar. But their experiment succeeded no better than ours. Their trade dollar, being a little more valuable than the Mexican dollar or the " chop " dollar, was melted down into bullion, and merchants went on paying each other the lighter coins. In 1878 the trade dollar was abolished and the original yen of 416 grains was declared an unlimited legal tender.

By this time silver had begun to depreciate. The market ratio, instead of being below the mint ratio of 1 to 16.1738, was above it. The gold yen was worth more than the silver yen, and began to go abroad, or retire into hoards at home, and to a very limited extent gold coins circulated at what they were worth in silver. This is just the experience that Chile went through. It is the experience the United States went through between 1810 and 1820. The change in the market price changed the money in circulation from gold to silver. Japan was now practically a single silver standard country, but it still professed to be bimetallic till 1883, when the interest on a domestic loan, which was payable in either metal, was made payable in silver only. This fixed the position of Japan ; she had suspended gold payments.

The probable reason why this interest was made payable in silver is that gold had disappeared from general use, though it was still coined, and to a small extent it circulated at a premium. As the silver yen was a full legal tender, no one would pay taxes in gold or otherwise pay out gold except when a premium was allowed for it. Some of the Japanese estimates represent that there is a large quantity of gold coin in the country. But Mr. S. Hayakawa, Councilor to the Japanese Finance Department, told a representative of the New York "Journal of Commerce and Commercial Bulletin" (interview published July 30, 1896) that while he favored the establishment of the gold standard, he deemed it then impracticable, because it would take a long time to accumulate a sufficient supply of gold.

From the establishment of the mint to the end of the fiscal year 1894–5 the total coinage of gold was 67,940,083 yen and of silver 168,907,630. The amount of gold and silver coinage actually in circulation in August, 1893, was :

Gold.. 5,837,892 yen
Silver...26,481,307 yen

One gold yen in 1895 would circulate at the value of 1.897 silver yen, though legally the two were of the same value. An English report of 1894 says that in about two years the net import of silver was 21,000,000 yen and the net export of gold was 8,000,000 yen. "All the gold that appears in the market is bought up for export, and the 22,000,000 yen's worth of gold in the Treasury is all that can be said with certainty to exist in Japan." In 1892 1,000,000 yen of gold were coined and 6,000,000 were exported. From 1872 to 1892 the net export of gold was 60,000,000 yen and the net import of silver was 18,000,000 yen. Of 70,000,000 yen of gold exported, 55,000,000 was the coinage of the Japanese mint ; the rest is what is known as old gold—the stamped ingots in circulation before the mint. Nine-thirteenths of the gold coinage of the Imperial mint had been exported. The gold imports were almost entirely Korean bullion and the exports of Japanese coin. The attempt of Japan to maintain a mint ratio that was different from the market ratio was a failure, and resulted in denuding the circulation of gold. Bimetallism had failed in Japan as elsewhere.

It is insisted by silver advocates that the decline of silver was of vast benefit to Japan because it made foreign goods more expensive, checking importation, and made domestic goods cheaper measured in gold, thus stimulating exportation to gold-using countries, and that domestic wages and prices remained unchanged, so that the mechanic and the farmer were not harmed by the declining gold value of the silver coins that were paid to them.

RISE IN SILVER PRICES AND WAGES.

None of these things is true. The decline of silver carried down with it wages and prices ; that is, both rose in silver, but neither rose in the full proportion that silver declined. Thus it is not true that wages and prices remained unchanged. But wages, as invariably happens, rose in silver less than prices ; the result was, great suffering by the working classes. The great expansion of manufacturing in Japan is due partly to the general modernization of the empire, which for twenty-five years has been the astonishment of the world, and in part to the fact that as wages and the prices of materials did not rise so rapidly as silver went down, there was an exceptional profit to the capitalist in employing labor and consuming materials in Japan. The decline in the value of money had in Japan the effect it always has had, of robbing the laborer and enriching the capitalist.

The "Jiji Shimbun" newspaper published the following table of prices expressed in index figures from 1873 to April, 1894, compiled from the evidence taken by the Japanese Currency Commission. To this table I add a column showing the value of the current yen in gold as computed by the United States Mint Bureau :

Year.	Rice.	Miso.	Salt.	Shoyu.	Firewood.	Charcoal.	Cotton.	Rent in Tokio.	Bath Charges.	Average.	Mechanics' Wages.	Yen in Am. Gold.
1873..........	100	100	100	100	100	100	100	100	100	100	100	.....
1874..........	152	114	105	99	98	93	100	107	111	109	103	99.7
1875..........	149	146	112	109	123	117	100	110	132	122	105	.....
1876..........	107	142	80	124	136	112	106	115	142	118	107	.....
1877..........	111	138	76	130	125	100	106	123	165	119	110	.....
1878..........	133	150	144	137	105	124	112	125	174	134	118	.....
1879..........	166	181	192	152	143	137	118	133	184	157	124	.....
1880..........	220	250	185	141	202	159	129	140	205	181	135	.....
1881..........	221	266	171	173	278	246	141	146	218	207	138	.....
1882..........	184	221	158	157	305	226	129	150	246	197	142	.....
1883..........	131	192	125	121	232	150	118	160	244	164	139	87.6
1884..........	110	147	92	146	187	121	106	164	223	144	134	86.9
1885..........	138	174	113	139	178	121	106	172	226	152	135	85.8
1886..........	125	156	93	138	125	98	112	178	216	138	131	81.0
1887..........	103	153	86	138	153	127	112	192	216	142	133	78.4
1888..........	105	148	79	152	139	142	112	200	219	144	134	75.3
1889..........	125	155	143	159	145	127	112	217	223	156	132	72.4
1890..........	186	203	124	138	149	165	114	220	223	169	130	91.7
1891..........	146	198	113	141	145	167	114	224	226	161	127	79.9
1892..........	151	197	108	154	158	179	118	226	221	168	130	70.6
1893..........	154	192	95	156	162	165	124	225	241	166	130	63.6
1894..........	165	189	91	158	141	150	118	228	221	162	133	51.2

This table disposes of the pretense that the declining gold value of silver raised the prices of nothing but imports from gold-using countries. These are all domestic products, except that cotton is mostly imported. Not only are these domestic products, but firewood and charcoal and house rent and bath charges are not subject to any direct influence from international trade, and "miso" and "shoyu" are purely domestic articles of food unknown abroad.

Of course the rate of exchange is not the only thing that caused all the price fluctuations shown in the above table. There are variations in supply and demand that account for some changes, and there was a large inflation of paper money about 1880 that sent prices up. But the substantial fact is, that during a period of 22 years the silver yen declined very nearly one-half in its gold value, about two-fifths in its power to buy merchandise, and about one-fourth in its power to buy labor.

HOW CHEAP MONEY GROUND THE POOR.

As wages rose only 33 per cent. while rice rose 65 per cent., "miso" sauce 91 per cent., charcoal 50 per cent., rent in Tokio 128 per cent. and bath charges 121 per cent., the general average of prices rising 62 per cent., it is hardly necessary to say that people working for wages and salaries suffered severely. But there is further and more direct testimony to the suffering of the people in consequence of "cheap money." A year or two ago the Finance Department of the Japanese Government instituted an investigation into the cost of living, and found that whereas in 1872 a family consisting of five members, of the lower middle class, could subsist on 70 yen a year, in 1893 the cost of living had risen to 180 yen a year. This is an increase of 157 per cent., and makes a much worse showing than the table of index figures already given, but in that table it will be observed that the most necessary articles rose the most, and there are some necessary articles not in that table.

In an article in the "Contemporary Review," January, 1897, Mr. H. Tennant says: "This inequality between the price of necessaries and of wages leads to much suffering, especially among the working classes and the petty officials. Mr. Fusataro Takano, a well-known political economist, views the outlook with much apprehension, and in an article which he has contributed to the "Sun," Tokio, warns the statesmen of impending disaster. * * * Mr. Fusataro points out that the miserable pittance paid to the wretched operatives must at no distant period lead to a social revolution unless the rate of wages be considerably improved. * * * This is a condition of affairs which cannot long continue, since the price of necessaries steadily rises, and the end will be either increased wages or a succession of strikes which would handicap Japan in her competition for the Chinese market. In shipping circles insubordination is already rife, and attacks on officers have been so frequent as greatly to injure the reputation of the passenger lines."

That the decline of silver, the cheapening of money, has reduced the imports or increased the exports of Japan is no more true than the statement that silver coins buy as much in Japan as ever.

CHEAP MONEY DID NOT CHECK IMPORTS.

The following table shows the foreign trade of Japan for twenty-three years. It will be observed that the exports and the imports have increased in much the same ratio:

YEAR.	EXPORTS, YEN.	IMPORTS, YEN.
1873	21,635,440	28,107,390
1874	19,317,306	23,461,814
1875	18.611,110	29,975,627
1876	27,711,527	23,964,678
1877	23,348,521	27,420,902
1878	25,988,140	32,874,834
1879	28,175,770	32,953,002
1880	28,395,386	36,626,601
1881	31,058,887	31,191,246
1882	37,721,750	29,446,593
1883	36,268,019	28,444,841
1884	33,871,465	29,672,647
1885	37,146,691	29,356,967
1886	48,876,312	32,188,432
1887	52,407,681	44,304,251
1888	65,705,510	65,455,234
1889	70,060,7[illegible]5	66,103,766
1890	56,603,506	81,728,580
1891	79,527,272	62,927,268
1892	91,102,753	71,326,079
1893	89,712,864	88,257,171
1894	113,246 086	117,481,955
1895	136,112,177	129,260,578

The figures for 1896 are not at hand, but Mr. Tennant in the article already quoted from says that in July the imports were twice as large as the exports, and cites the estimate of a Japanese economist that the adverse balance of trade for the year would not be less than 35,000,000 yen. It may be said, however, that Japan has been increasing its imports from silver-using and its exports to gold-

using countries. To dispose of this, I give the figures of Japanese trade for five years with two gold-using countries. The figures for the United States are taken from the Statistical Abstract of the United States and those for England from Mr. R. P. Porter's report to the National Association of Manufacturers on the "Commerce and Industries of Japan:"

	1892.	1893.	1894.	1895.	1896.
American exports to Japan	$3,290,111	$3,195,494	$3,986,815	$4,634,717	$7,689,685
American imports from Japan	23,790,202	27,454,220	19,426,522	23,695,957	25,537,038
	1891.	1892.	1893.	1894.	1895.
British exports to Japan	$14,903,440	$15,981,611	$18,173,105	$18,915,872	$23,247,677
British imports from Japan	5,613,086	3,914,496	5,096 934	4,668,094	5,458,270

In these five years there were fluctuations but no considerable increase in the imports from Japan by the United States and Great Britain, while the exports from those countries to Japan increased greatly, those from the United States more than doubling and those from Great Britain increasing more than 50 per cent. The gold value of the exports from these two countries to Japan was over $18,000,000 in the first year of the series and nearly $31,000,000 in the last year, while the imports of the two from Japan were over $29,000,000 in the first year and less than $31,000,000 in the last year. And yet, at the beginning of this period $70 would have bought one hundred yen, and at the end of it they would have bought about a hundred and forty. So much for the effect of a cheapening currency upon imports and exports.

INCREASING EXPENSES OF THE GOVERNMENT.

The injurious effects of declining silver on the masses of the people have already been demonstrated, but there were other disagreeable results. The fluctuations of exchange with gold standard countries involved the foreign commerce in uncertainty and expense. The prices of imports necessarily rose to the full extent of the decline of silver, and, beside articles of consumption, Japan imports large quantities of materials, machinery and other articles used in manufacturing, or in the erection of factories, from gold-using countries. The rise of prices and wages increased the expenses of the Government, and since the Government began the purchase of war material from Europe and America, which had to be paid for in gold, the increased expense has become still more serious. For the coming year the Japanese budget estimates the expenditures at 152,000,000 yen—an increase of 62,700,000 yen over last year. After a heavy draft upon the war indemnity, the deficit, in the absence of further taxation, is estimated at 13,000,000 yen. The present military project will double the army in the course of ten years. "By 1904, eight years hence," said Mr. Tennant, writing last year, "the revenue must exceed the present revenue by at least 50,000,000 yen. Now, in the past twenty-five years the revenue has only increased 44,000,000 yen, so that the increase during the next eight years must be three times as rapid. By the new taxes which are to be levied the Government anticipates a net increase in the revenue by 1904 of 26,500,000 yen, leaving 23,500,000 yen to be provided."

Obviously the Government must regard any further advance of wages and salaries and prices with apprehension. The silver standard has for Japanese

financiers no such fascinations as our silver men suppose it has. In 1893 events in the United States and India led the Japanese Government to appoint a commission to investigate the fall of silver and its effect upon Japan and recommend a course of action. The commission reported a couple of years ago, but it was only lately that an abstract of the report was received by the Japanese legation at Washington, whence a translation was obtained by the "Journal of Commerce and Commercial Bulletin," of New York, and published January 13, 1897. This report leaned strongly to the silver side, and that six weeks after its first appearance in English the Government proposed the adoption of the single gold standard shows that events have moved rapidly in two years, or that the report never did meet the views of the Japanese Government. It is possible that the defeat of the Free Silver party in the United States convinced the Japanese Government that the day of silver coinage was over.

REPORT OF THE JAPANESE CURRENCY COMMISSION.

The Japanese Currency Commission was appointed under an act of Parliament by the Emperor, and consisted of public officials, bankers, merchants and professors, chosen from among the most eminent in their several professions. The commission was appointed in 1893 to investigate the following questions :

1. The causes and effects of the recent change of ratio between gold and silver. 2. The effects of the change upon Japan ; and 3. Whether such change necessitates the reform of our present currency system, and if so to determine what new standard of currency shall be adopted, and how it shall be done.

As these questions covered quite a wide field of inquiry the commission at its first meeting, held October 25, 1893, selected a special committee to make preliminary investigations into the first two questions. The special committee thereupon took up the matter and finished its work on March, 1895. It agreed generally to the statements contained in chapters I. and II. affixed thereto, but could not come to an understanding upon the questions covered by chapter III. Accordingly the majority and minority of the committee submitted separate reports to the commission.

The currency commission on receipt of this report met on several occasions and unanimously indorsed chapters I. and II. It, however, differed on chapter III., and at last, after lengthy discussion, adopted the chapter by a majority of 10 against 5.

The commission, excepting one member, was of the opinion that the change of the ratio between gold and silver was so far beneficial to Japan, and that therefore there is for the present no necessity of changing our currency system. However, it differed on the point whether there will possibly in future arise such necessity. Eight took the affirmative, seven the negative. The commission then proceeded to the discussion about the kind of metal to be made the future standard of currency and the method of carrying out the reform. Six out of eight voted for gold and two for bimetallism. The committee, however, could not reach a conclusion about the method of enforcing the new monetary system. Some urged an immediate change, while others preferred to make only necessary preparations for the future. Some proposed to wait an international arrangement, while others wished to establish bimetallism independently of other nations.

The introductory portion of chapter I. of the report discusses the fall of silver or the rise of gold, leaning to the conviction that there is more of the latter than of the former. The remaining parts of the chapter, and the subsequent chapters as given in the translation, made at the Japanese legation, are as follows :

PART I.

EFFECTS UPON SILVER COUNTRIES.

Article 1. Increase of exports.—There is no question that the change of ratio between gold and silver stimulates exports. This is due first to the fact that the prices of commodities in silver countries being practically low as against those in gold countries, the former have great advantage over the latter with respect to export. Besides silver countries have an advantage in competing with gold countries in the same articles made in both countries.

Art. 2. Rise in prices of commodities.—As has been seen, gold has not only appreciated very much as against prices of commodities, but also against silver, while silver has not depreciated much as against commodities. However, if the demand for silver shall become less in the future and its price decline more, the prices of commodities will rise. This rise will be enhanced by the increase of money consequent upon the increase of exports from silver countries.

Art. 3. Light burden of debtors and tax-payers.—It is quite an advantage to everybody to borrow money and pay it after a decline. The borrower, as a matter of fact, gets money having more purchasing power and pays in money with less purchasing power.

Art. 4. Good condition of agriculture.—The change in the ratio of the two metals causes the rise in prices of agricultural products. Farmers can get more income and pay taxes easier than before. Besides the lightening of their burden and the rise in price of their farms induce them to make improvements and encourage them to wider cultivation.

Art. 5. Development of commerce and industry.—The increase of exports and the inducement offered to merchants to purchase, and manufacturers to make more, by reason of the rise in prices of commodities lead to general prosperity in commerce and industry. We notice this feature in India, especially in the growth of her cotton mills, before the change of her monetary system. As regards China, we have no reliable statistics, but her industry has, we have no doubt, greatly developed lately.

Art. 6. Increase in revenue from taxes and other sources —The tax upon consumption, the income tax and other revenues, such as from posts, telegraphs and railroads, increase with the increase of production and the prosperity of commerce and industry. We notice this fact in India before the change of her monetary system ; in Austria, Russia and Mexico.

Art. 7. Increase in demand for labor.

Art. 8. Increase of national expenditure.—The rise in prices of commodities necessitates the increase of the Government funds for purchasing several articles, and the appreciation of gold demands similar increase in Government funds for maintaining their offices in gold countries and for payment of their debt abroad. This is especially the case with India, which has to pay large amounts in pounds sterling annually to England.

Art. 9. Distress of those who receive fixed wages.—This is naturally the case when daily expenses increase with the rise in prices of commodities. Wages go up sooner or later; but as they do not go with the same speed as the rise in prices, laborers have to suffer, at least for a time.

Art. 10. The disadvantages to creditors.—This is just the opposite case to that of debtors.

Art. 11. Growth of speculative enterprise.—When prices go high and commerce and industry assume a favorable aspect, business transactions are generally enlarged and new enterprises are contemplated. A reaction must, however, take place, and often leads to panic.

Art. 12. Rise in prices of commodities imported from gold countries and decrease in imports.—As long as the prices of commodities in gold countries do not decline as much as the difference of the two metals, silver countries have to pay higher prices for goods imported from gold countries. In other words, the prices of goods from gold countries have so far risen in silver countries. We notice that the change in ratio of gold and silver, which has been especially great these two or three years, decreased imports from gold countries.

PART II.

EFFECTS UPON GOLD COUNTRIES.

Article 1. Profits to creditors.—The effect of the change of ratio between gold and silver upon gold countries are just the opposite to those upon silver countries. The price of commodities having fallen, gold has more purchasing power than before. According

to the investigations made in gold countries the prices of commodities have fallen from 100 in 1873 to 70 in 1894, so that the purchasing power of money has increased .429 per cent., which is the direct profit to creditors.

Art. 2. Fall in prices of commodities imported from silver countries.—The prices of commodities in silver countries are rising when there are fluctuations in the ratio of gold and silver. But as the prices do not rise so much as the difference of the two metals, they are still to some extent low as against gold. In other words, gold countries can obtain articles cheaper from silver countries.

Art. 3. Decrease of national expenditure.—With the increase of the purchasing power of money the Government funds for purchasing articles and for paying debts to silver countries naturally become smaller. It has decreased about .429 per cent. since 1873.

Art. 4. Depreciation of prices of commodities.—(See Section II.).

Art. 5. Loss to debtors and taxpayers.—This is necessarily the case when they have to pay their debts with money the purchasing power of which has increased after the debt was incurred.

Art. 6. Depression of commerce and industry.—It is quite natural that commerce and industry should not flourish when prices of commodities decline and debtors and taxpayers are in distress. When prices decline day by day merchants hesitate to purchase and manufacturers to make, and then the general depression follows. This is true in England where commerce and industry do not prosper and cotton and other industrial businesses have been retarded. It is also the case in the United States, where a panic occurred in 1893; 640 banks closed during the year, large numbers of factories closed and trade in general was suspended. In Germany, also, the same depression was felt, and a silver commission was appointed to investigate this matter.

Art. 7. Decline of rate of interest.—When prices decline and commerce and industry are depressed the apprehension of failures prevents capitalists from investing money in new enterprises. Besides, as capital invested in silver countries will be withdrawn more money will be left unemployed, the demand will decrease and at last the rate of interest will fall.

Art. 8. Distress of farmers.—The income of farmers decreases, and the prices of land fall together with the fall in prices of agricultural products. This distress is moreover enlarged by the heavier burden upon the taxpayers.

Art. 9. Decrease in revenue.—The revenue from taxes on consumption, from income tax, from posts, telegraphs and railroads, increases very slightly in comparison with silver countries.

Art. 10. Distress to employers.—This is naturally the case with the employers who have to pay wages and salaries to the employees with money the purchasing power of which has increased. As especially wages do not only fall with the prices of commodities, but generally take the contrary course, employers have to restrict their business. Any attempt on their part to decrease wages will be met with strikes or some other form of opposition.

Art. 11. Decrease in demand of labor.—This is naturally the case with the depression of agriculture, industry and commerce. Many also go out of employment, and paupers and criminals increase accordingly.

Art. 12. Increase of imports from silver countries.—As gold countries can buy goods cheaper from silver countries, their consumption of the products of the latter countries increases and the balance of trade with these countries generally goes against the former. This is to be seen in the trade returns of England, the United States, Germany, France, etc. The capital invested in silver countries from gold countries may, to some extent, account for this feature, but there is no doubt that the cheap importation from silver countries is one of the causes.

Part III.

EFFECTS UPON THE RELATION OF GOLD AND SILVER COUNTRIES.

Article 1. Stagnation of trade between gold and silver countries.—This is the necessary consequence of the constant fluctuations in exchange quotations, and it sometimes even stops the trade entirely.

Art. 2. Decrease of capital investment from gold to silver countries.—When the ratio of the two metals is fluctuating gold capitalists hesitate to invest capital in silver countries, and sometimes even try to withdraw funds already invested. The results are that the field of investment becomes narrow in gold countries, and that the supply of capital becomes less in silver countries.

CHAPTER II.

THE EFFECTS OF THE RECENT CHANGE OF RATIO BETWEEN GOLD AND SILVER UPON JAPAN.

Japan, as all other silver countries, partakes of the same advantages and disadvantages.—Besides the effects mentioned in Articles 1 to 12 in Part I. and Articles 1 and 2 in Part III. of Section 3 of the preceding chapter, respectively, we notice that the prosperous condition of commerce and industry led the people in general to adopt a higher mode of living, even tending to some luxury. Another feature which has not specially been mentioned as an effect upon silver countries in the foregoing paragraphs, and which is very plainly to be seen in Japan, is the growing import of silver. This may be due to the annual increase of exports from our country, but is also due to the fact that Japan is the only country in the East having its mint opened to free coinage. The annual reports of the director of the mint clearly show the increase of requests made to the mint for coining silver.

CHAPTER III.

CONCLUSIONS.

(1) Radical change in the relative prices of gold and silver.—There is no question that there has been an unparalleled change in the relative prices of gold and silver during the last quarter of a century. In 1873 the average price of silver in London was 59¼ pence per ounce; that is to say, the ratio of gold and silver was 15.92 to 1; while in March, 1894, silver valued at 27¼ pence, *i. e.*, 34.61 to 1.

It is a necessity of primary importance to study whether the cause of this change lies in the appreciation of gold, or in the depreciation of silver, or in the change in the value of both gold and silver. Mere comparison of their relative values is not sufficient for this study. The investigation of prices of commodities both in gold and silver countries must be carefully made.

(2) Gold appreciated more than silver depreciated. In examining the rise and fall of the prices of commodities, we see that they have fallen considerably in gold countries during the last quarter of a century, while they have not changed very much in silver countries, except as regards some tendency to rise during these last two or three years. There being many causes which affect the prices of commodities, we cannot attribute this rise or fall only to the fluctuations of gold or silver. Yet we may say that the considerable fall of prices of commodities in gold countries in general shows the equally remarkable rise of gold as against silver, while the rather stationary condition of prices of commodities, with some tendency to rise in silver countries, shows that silver has only lately begun to decline as against commodities, however great the decline may be as against gold. We therefore conclude that the considerable fall in prices of commodities in gold countries is mainly due to the rise of gold, and that the small rise in prices of commodities in silver countries mainly to the small depreciation of silver.

Some explain the fall of prices of commodities in gold countries in another way. They say the application of science, the invention of new machinery, the facilities of communication, etc., increase the production by reducing the cost, and thereby caused the fall of prices of commodities. We, of course, admit that this is true, and is also true with gold as with all articles of commerce. But even supposing that gold was an exception, that its cost of production was not lessened under some counteracting influences, and that gold was not produced in large quantities, we may say that, as a matter of fact, the production of other articles increased before, as it did during the last quarter of a century, while prices declined, especially during the last twenty-five years. Moreover, it is also to be seen that prices declined considerably during the last two or three years, while the application of science, etc., did not advance to the same degree at the same time.

For convenience sake, let us compare the period of 20 years from 1851 with another period from 1871, down to the present (1895). The increase in the supply of gold during the former period, upon the discovery of gold mines in California and Australia, had depreciated gold and caused a rise in prices of commodities. However, the growth of industry followed this rise in prices of commodities, and the increase of articles consequent upon the growth of industry balanced the increase of money and kept the economic world in harmony. On the contrary, matters progressed entirely differently in the latter period after 1871; the demand for gold increased with the reform of the monetary systems of different countries, gold thereupon appreciated; prices declined, and at last came the depression in agricultural, industrial and commercial business. But we are in doubt whether production has greatly increased in the latter period over the former.

(3) The chief cause of change in the ratio of gold and silver is the increased demand for gold in several countries.—There are many causes of the radical changes in the ratio

between gold and silver. But the most important one is, no doubt, the increase of demand for gold as money. In 1873 Germany adopted the gold standard and absorbed enormous quantities of gold. Other European countries have, in succession, changed their monetary systems and adopted gold as their standard of money. The powers forming the Latin Union first restricted, and then prohibited entirely, the coinage of silver in order to prevent the influx of this metal. Italy and the United States resumed specie payments. Austria made gold the standard. India changed her monetary system. The United States abolished the silver purchasing law. It is quite evident that the demand for gold as money has increased as a necessary consequence of these changes. It is also no wonder that people began to respect gold more than ever, to use it more in arts, and then to accumulate it as much as possible. The production of gold was not indeed small, but the increasing demand caused it to appreciate.

Although silver, on the other hand, was rejected by many countries, it seems that its price has not changed as much as that of gold. When, however, we notice the rise of prices of commodities in silver countries, we are compelled to say that silver has even depreciated as against commodities. Silver did not depreciate as much as gold appreciated. Above all, the change in the ratio of gold and silver is due to the appreciation of gold.

(4) The change in the ratio of gold and silver gives advantages to the silver countries and disadvantages to the gold countries. The price of commodities is the most important factor in the economic world; its rise promotes agriculture, industry and commerce; its fall, the reverse. Every person who holds merchandise hastens to dispose of it, and every person who holds money will hesitate to part with it whenever there is any likeliness of the fall in prices of commodities. The fact is that the merchandise will decline and the money will rise the longer it is kept. Accordingly, the money-owners, creditors and others who have to receive fixed sums of money will gain, and the merchandise holders, debtors, taxpayers and others who have to pay fixed sums of money will lose. The loss thus incurred by the merchants, etc., is the cause of the decline of industry and the depression of the market. The prices of commodities have been falling these twenty years in gold countries, and general complaint has for so long a time been heard, particularly in England. In 1885 the commission on tradal depression was formed with the view of ascertaining the exact state of affairs. They discovered the fact of such depression, but in trying to trace up to the cause of depression they found it necessary to investigate also the merits of their monetary system. This work, however, being entirely beyond the sphere of their power they recommended their Government to appoint another commission to investigate into the matter. The recommendation was adopted, and next year (in 1886) the commission on gold and silver was appointed. They agreed that both silver and prices of commodities have declined, but they differed as to its cause, some attributing it to the appreciation of gold while others to the depreciation of both silver and commodities; some advising the adoption of gold standard while others of bimetallism. The British Government could under the circumstances find no remedy to apply, and have not therefore up to the present adopted any measure of relief. However, prices have declined more and more, and the depression has extended further and further, until the discussion of monetary reform grew so hot that even some commissioners who had urged the adoption of the gold standard have now changed to bimetallism.

Germany has suffered similar misfortunes. The silver commission appointed last year (1894) have unanimously concluded that the depreciation of silver is injurious both to her home and foreign trade, but that it is impossible for any one power to maintain the price of that metal. The depression having been so general in all the gold countries they are studying the question with keenest attention; economists and business men are now gradually inclined to bimetallism, and even those who advocate the gold standard admit that it is necessary to find a wider field for the use of silver.

The state of affairs in silver countries is entirely opposed to that in gold countries. The general tendency toward a rise in the prices of commodities naturally encouraged agriculture, industry and commerce, augmented exports and even tended to promote the manufacture of many articles that had formerly been imported. In India before the late monetary reform there had been great financial difficulty on the part of the Government on account of the fall of silver, but agriculture, industry and commerce had on the other hand been greatly developed.

The greatest injury which falls upon silver countries by reason of this change in ratio of gold and silver is the increase of national expenditure. Such countries as have large amounts of bond as against gold countries, or which have a large indebtedness to be paid in gold, have to suffer very much by reason of the appreciation of gold. India has accordingly changed her monetary system. Some silver countries on the American continent have suspended the payment of gold bonds. These disadvantages are, however, rather limited only to countries having large indebtedness and do not prevail universally in all silver countries.

It is most convenient for studying the comparative advantages and disadvantages in gold and silver countries to look to the actual state of affairs in a country having both systems. England and India are an example. Both are under the British rule, but as regards the monetary system one different from each other in standard; the change in the ratio of gold and silver affects one country just in the opposite direction to that in which it affects the other. In India, export is increased, agriculture and industry developed, the demand for labor multiplied and revenue advanced; while England presents an exactly opposite state of affairs. In England the revenue, which does not decrease much in amount, has as much more purchasing power than before as the fall of the prices of commodities, and it even could produce some surplus. However, the depression of agriculture, industry and commerce is the decay of the source of revenue, and the British Government has naturally to suffer the consequences. The trouble in India is, on the other hand, not on account of her agriculture, industry or commerce but only with her finances. She has large quantities of bonds and an extraordinary amount of expenditure to be paid in gold to England, while on the other hand silver has been greatly depreciated. To meet this trouble she has at last effected monetary reform, and she will become a pure gold country. She will thereupon be freed from her financial trouble, but she will, like her mother country, suffer from general depression in agriculture, industry and commerce. Some in commenting on this change say that it has already proved to be a failure, while others predict it to be the case. Above all it seems to be pretty certain that the British Government was not even confident of the success of this change, if we see that a Secretary of State has openly declared in the House that the change was rather of an experimental nature.

(5) Our country has made great economic progress—Although this is due naturally to the intelligence and energy of our nation, the remarkable progress made during these few years must rest greatly upon the change in the ratio of the two metals. One of the most gratifying features of our recent economic progress is the manufacturing of goods formerly imported from abroad and even their export to foreign countries. We have to get a large supply of raw materials for such manufacture, but it is far more profitable to us to buy them than to import manufactured goods. Besides, every facility which Japan has for industrial enterprise and the high prices of imported goods are great inducements to the development of our industry.

The development of our agriculture, industry and commerce presents the most satisfactory condition, as explained in Articles 4 and 5 of Part I., Section III., Chapter I. However, loss follows profit, especially in the affairs of economy. The former resulting in Japan from the change of ratio of gold and silver is not very small as the latter is large. But if we compare the benefits mentioned in Articles 1-7 with the losses in Article 8 *et seq.* it becomes very plain that we need not be too much afraid of such losses. Some short explanations are given in the following:

(8.) Increase of National Expenditures.—There is no doubt that this is one of the losses we have to suffer. But fortunately we have not a large debt in foreign bonds nor many government expenses to be paid in gold, and such small losses may be met with rather easily by the increased revenues mentioned under Article 6.

(9.) Distress of those who receive fixed wages.—This trouble, however, will be counterbalanced by the increased demand for labor consequent upon the growth of business.

(10.) Loss of creditors.—This follows naturally the decrease in the purchasing power of money. But when business prospers and transactions increase, the demand for capital increases and debts are readily paid, thus balancing the loss above mentioned.

(11.) Prevalence of speculative enterprise.—This is generally true both in gold and silver countries when business prospers. To prevent this we have, however, only to rely upon the vigilance of bankers and the economic world in general.

(12.) Rise in prices of goods imported from gold countries.—This, however, will be set off by the increase of exports; the high prices of goods practically amounting to the same thing as the imposition of high duties stimulates on the other hand the growth of home industry.

(13.) Tendency to luxury.—When business prospers and income increases the mode of living goes higher and even becomes luxurious. But this can be checked only by the moral forces governing society.

(14.) The opening of the mint invites the import of silver.—The Commission on Indian Currency has counted this as one of the things resulting from the opening of the mint. We observe in Japan that the import of silver is increasing, and the requests for its coinage are greater than ever. This is not, however, to be counted as an evil in our country, as such feature is the necessary consequence of the balance of trade in our favor, and also of the requests from Hong Kong, Singapore and other Strait settlements to make their coins.

(15.) Stagnation in commercial dealings with Japan and gold countries.—The constant fluctuation in the foreign exchange market causes stagnation in our trade with gold countries. But if we see to the prosperous condition of our late foreign trade we might say that such fluctuation has only affected commerce temporarily.

(16.) Decrease of capital investments from gold countries.—Only a small amount of foreign capital has been invested. The withdrawal of such investments therefore affects our market only in a slight degree. The change of ratio between the two metals has, as stated above, had a good effect upon our country. But we do not think that the fall of silver and the rise in prices of commodities are absolutely beneficial to our country, especially as the fall of monetary standard will disturb our business. Believing, however, that the decline of silver will not be unlimited, and observing the advantages and disadvantages resulting to our country from such changes, we conclude that we derive more advantage and less disadvantage than the gold countries.

THE MINORITY REPORT.

The report of the minority also deals with the particulars mentioned in the foregoing. They, like the majority, admit the advantages and disadvantages accruing to the gold and silver countries from the change of ratio between gold and silver. But they differ in this way, that while the majority lay more importance upon the advantages to Japan the minority view it in another light, and fear the disadvantages rather than the advantages will predominate. The report of the minority concludes in the following words: "The effects of the change of ratio between gold and silver upon Japan are both advantageous and disadvantageous. The increase of exports and the prosperity of industry and commerce thereby stimulated are the most important of the advantages, while the distress of laborers and the stagnation of foreign trade are among the chief disadvantages. The increase of exports, however, invites more imports of silver, inflates the currency, raises the prices of commodities and at last will result in the excess of imports over exports. The change of ratio between gold and silver being injurious to all countries, many new schemes will be proposed to remedy the evils, and very often great economic disturbances will be raised in consequence. It is therefore very necessary on our part, in view of such disturbances, to seek the future advantage of our country instead of temporary and alluring benefits, and to establish a sound and steady financial system which will conform to the proper order of things and which will be in harmony with the monetary systems of the powers having the greatest economical relations with our country."

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House of Representatives Votes to Adopt a Gold Standard.

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